

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2006  
with  
Report of Independent Auditors

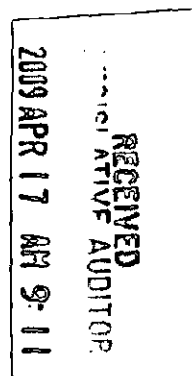
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/27/09



**NOVOGRADAC  
& COMPANY** LLP

CERTIFIED PUBLIC ACCOUNTANTS



Report of Independent Auditors

To the Member of  
Crescent Affordable Housing Corporation:

We have audited the accompanying consolidated balance sheet of Crescent Affordable Housing Corporation as of December 31, 2006, and the related consolidated statements of operation, change in member's capital, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crescent Affordable Housing Corporation as of December 31, 2006, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supporting data is for purposes of additional analysis and is not a required part of the basic financial statements of the Corporation. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Novogradac & Company LLP*

July 21, 2008, except for Note 6, as to which the date is October 15, 2008.

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
CONSOLIDATED BALANCE SHEET  
December 31, 2006

ASSETS

Cash and cash equivalents	\$ 267,891
Restricted cash	527,357
Development program fees receivable	299,529
Management fees receivable	105,900
Due from component units of Authority	<u>956,972</u>
Total assets	<u><u>\$ 2,157,649</u></u>

LIABILITIES AND MEMBER'S CAPITAL

Liabilities	
Accounts payable	\$ 5
Investment obligations	464
Deferred development fee revenue	300,000
Due to Authority	<u>309,249</u>
Total liabilities	609,718
Member's capital	<u>1,547,931</u>
Total liabilities and member's capital	<u><u>\$ 2,157,649</u></u>

see accompanying notes

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
CONSOLIDATED STATEMENT OF OPERATIONS  
For the year ended December 31, 2006

REVENUE	
Development services	\$ 647,529
Management services	52,950
Total revenue	<u>700,479</u>
OPERATING EXPENSES	
Development program expense	129,506
General and administrative	884
Total operating expenses	<u>130,390</u>
Operating income	570,089
OTHER INCOME	
Donations	10,638
Interest income	17,163
Gain on investment	594
Total other income	<u>28,395</u>
Net income	<u>\$ 598,484</u>

see accompanying notes

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
CONSOLIDATED STATEMENT OF CHANGES IN MEMBER'S CAPITAL  
For the year ended December 31, 2006

BALANCE, JANUARY 1, 2006	\$ 85,947
Prior period adjustment	<u>863,500</u>
BALANCE, JANUARY 1, 2006, AS RESTATED	949,447
Net income	<u>598,484</u>
BALANCE, DECEMBER 31, 2006	<u><u>\$ 1,547,931</u></u>

see accompanying notes

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 598,484
Adjustments to reconcile net income to net cash used in operating activities:	
Gain on investment	(594)
Increase in development program fees receivable	(299,529)
Increase in management service fees receivable	(105,900)
Increase in accounts payable	5
Decrease in deferred development fee revenue	(348,000)
Net cash used in operating activities	<u>(155,534)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Increase in due to Authority	<u>129,506</u>
Net cash used in noncapital financing activities	<u>129,506</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in restricted cash	(221,241)
Increase in due from component units of Authority	<u>(513,050)</u>
Net cash provided by investing activities	<u>(734,291)</u>

DECREASE IN CASH AND CASH EQUIVALENTS	(760,319)
---------------------------------------	-----------

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,028,210</u>
--	------------------

CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 267,891</u>
--	-------------------

see accompanying notes

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2006

1. General

Crescent Affordable Housing Corporation (CAHC, or the "Corporation") is a Louisiana not-for-profit corporation created in December 2003 by the Housing Authority of New Orleans (the "Authority") for the special purpose of providing a financial entity to assist the Authority in acquiring, financing, redeveloping, rehabilitating, and constructing affordable housing. CAHC is the sole member of Lune d'Or Enterprises, LLC ("Lune d'Or"), a for-profit entity created by the Authority that serves as the managing member of several for-profit Limited Liability Corporations (the "LLC's") that own and operate affordable housing projects developed on properties owned by the Authority.

CAHC is a component unit of the Authority under the requirements of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. CAHC is presented as a blended component unit of the Authority as there is a financial benefit/burden relationship with the Authority. The Authority has the ability to influence the operations of CAHC as its board of directors is appointed by the Authority and any changes to CAHC's by-laws must be approved by the Authority. CAHC also provides company management services through Lune d'Or, exclusively for the benefit of the Authority.

2. Summary of significant accounting policies and nature of operations

Basis of presentation

The Corporation prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Principles of consolidation

These consolidated financial statements include the accounts for CAHC and the single-member limited liability company, Lune d'Or. All significant intercompany balances and transactions have been eliminated in consolidation.

Concentration of credit risk

CAHC places its temporary cash investments with high credit quality financial institutions. At times, the account balances may exceed the institutions' federally insured limits. CAHC has not experienced any losses in such accounts.

Income tax

CAHC is classified as a public charity under Internal Revenue Code Section 501(c)(3), not as a private foundation, and is not subject to income tax. Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements.

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2006

2. Summary of significant accounting policies and nature of operations (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Economic concentrations

CAHC is the developer and, through Lune d'Or, the managing member for multiple projects located in New Orleans, Louisiana. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Operating revenues and expenses

CAHC distinguishes operating revenues and expenses from non-operating items. CAHC's primary activities are developing, and through Lune d'Or, managing affordable housing projects.

Revenue recognition

Revenue attributable to development and management services are recorded when earned and due from companies owning the projects, generally in accordance with the respective development and management agreements.

3. Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with maturities of three months or less at the date of acquisition. The account is insured by the Federal Deposit Insurance Corporation ("FDIC") at 100% of the average account balance. As of December 31, 2006, the amount on deposit with the institution exceeded the amount insured by the FDIC. Restricted cash is not considered cash and cash equivalents.

4. Restricted cash

A Revolving Line of Credit Loan Agreement between CAHC and Lune d' Or was executed on January 20, 2005, which provides a \$1,300,000 revolving line of credit to Lune d' Or. The line of credit was established to enable Lune d' Or to guarantee obligations as the managing member of Fischer I, LLC, Fischer III, LLC, and Guste I, LLC. As part of the agreement, CAHC established a restricted cash account to maintain an amount not less than \$1,300,000. As of December 31, 2006, the balance of the restricted funds account was \$527,357, and was not in compliance with the agreement. The account is insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000. As of December 31, 2006, the amount on deposit with the institution exceeded the amount insured by the FDIC by \$427,357.



CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2006

5. Related party transactions

Due from component units of Authority

As of December 31, 2006, Fischer I, LLC, a component unit of the Authority, owed CAHC for miscellaneous costs associated with construction. The costs were paid by CAHC on behalf of Fischer I, LLC during the development phase of the project. \$ 14,793

As of December 31, 2006, Guste I, LLC, a component unit of the Authority, owed CAHC for miscellaneous costs associated with construction. The costs were paid by CAHC on behalf of Guste I, LLC during the development phase of the project. 77,199

As of December 31, 2006, Florida II-A, LLC, a component unit of the Authority, owed CAHC for miscellaneous costs associated with construction. The costs were paid by CAHC on behalf of Florida II-A, LLC during the development phase of the project. 129,390

As of December 31, 2006, Fischer III, LLC, a component unit of the Authority, owed CAHC for miscellaneous costs associated with construction. The costs were paid by CAHC on behalf of Fischer III, LLC during the development phase of the project. 149,590

As of December 31, 2006, Tchoupitoulas, LLC, a component unit of the Authority, owed CAHC for miscellaneous costs associated with construction. The costs were paid by CAHC on behalf of Tchoupitoulas, LLC during the development phase of the project. 35,000

As of December 31, 2006, Mazant Royal, LLC, a component unit of the Authority, owed CAHC for miscellaneous costs associated with construction. The costs were paid by CAHC on behalf of Mazant Royal, LLC during the development phase of the project. 58,500

As of December 31, 2006, Imperial Drive I, LLC, a component unit of the Authority, owed CAHC for miscellaneous costs associated with construction. The costs were paid by CAHC on behalf of Imperial Drive I, LLC during the development phase of the project. 51,500

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2006

5. Related party transactions (continued)

Due from component units of Authority (continued)

As of December 31, 2006, Imperial Drive II, LLC, a component unit of the Authority, owed CAHC for miscellaneous costs associated with construction. The costs were paid by CAHC on behalf of Imperial Drive II, LLC during the development phase of the project.	51,500
As of December 31, 2006, Guste II-B, LLC, a component unit of the Authority, owed CAHC for miscellaneous costs associated with construction. The costs were paid by CAHC on behalf of Guste II-B, LLC during the development phase of the project.	102,000
As of December 31, 2006, General Ogden, LLC, a component unit of the Authority, owed CAHC for miscellaneous costs associated with construction. The costs were paid by CAHC on behalf of General Ogden, LLC during the development phase of the project.	46,500
As of December 31, 2006, Fischer IV-3, LLC, a component unit of the Authority, owed CAHC for miscellaneous costs associated with construction. The costs were paid by CAHC on behalf of Fischer IV-3, LLC during the development phase of the project.	101,000
As of December 31, 2006, CJ Peete I, LLC, a component unit of the Authority, owed CAHC for miscellaneous costs associated with construction. The costs were paid by CAHC on behalf of CJ Peete I, LLC during the development phase of the project.	<u>140,000</u>
Total due from component units of Authority:	\$ <u>956,972</u>

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2006

5. Related party transactions (continued)

Management services revenue

CAHC recognizes management services revenue earned by Lune d'Or. The management services fees earned during 2006 were as follows:

<u>Company</u>	
Guste I, LLC	\$ 12,300
Florida II-A, LLC	25,200
Fischer III, LLC	<u>15,450</u>
Total	<u>\$ 52,950</u>

As of December 31, 2006, management service fees receivable were \$105,900 and are included in "Management service fees receivable" on the accompanying consolidated balance sheet.

Development services revenue

Pursuant to the development agreements between CAHC and the related party LLC's, CAHC earned fees in the amount of \$647,529 for development services rendered, of which \$348,000 was paid during 2006. As of December 31, 2006, outstanding development service fees receivable were \$299,529 and are included in "Development program fees receivable" on the accompanying consolidated balance sheet.

CAHC was paid \$300,000 by Guste I, LLC, in advance, for development services fees not yet earned. This amount is included in "Deferred development fee revenue" on the accompanying consolidated balance sheet.

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2006

5. Related party transactions (continued)

Investment in companies

Lune d' Or serves as the managing member for Fischer I, LLC, Guste I, LLC, Florida II-A, LLC, and Fischer III, LLC. The equity method is used to account for the investments in each of the companies. Negative investments are reported as liabilities and are included in "Investment obligations" on the accompanying consolidated balance sheet.

The carrying amount of the investment obligations in companies as of December 31, 2006 was as follows:

Fischer I, LLC	\$	(33)
Guste I, LLC		(8)
Florida II-A, LLC		(413)
Fischer III, LLC		(10)
Total investment obligations in companies	\$	<u>(464)</u>

Lune d' Or also serves as the managing member for General Ogden, LLC, Fischer IV-3, LLC, CJ Peete I, LLC, Tchoupitoulas, LLC, Guste II-B, LLC, Imperial Drive I, LLC, Mazant Royal, LLC, Imperial Drive II, LLC, B.W. Cooper I, LLC, St. Bernard I, LLC, and CJ Peete III, LLC, which did not have any activity to report during 2006.

Co-development fee

Pursuant to the Co-Development Agreement between CAHC and the Authority, the Authority earns a co-developer fee for development services rendered for Fischer I, LLC, Fischer III, and Tchoupitoulas, LLC, in the amount of twenty percent of the total development services fee earned by CAHC. The total co-development fee is due to the Authority upon CAHC's receipt of the final development services fee payments from the above LLC's pursuant to the Development Agreements. As of December 31, 2006, co-development fee payable to the Authority was \$129,506, and is included in "Due to Authority" on the accompanying consolidated balance sheet.

Due to Authority

In prior years, the Authority paid professional legal services on behalf of CAHC. No payments or advances were made during 2006 by the Authority. As of December 31, 2006, the amount due to Authority was \$179,743, and is included in "Due to Authority" on the accompanying consolidated balance sheet.

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2006

6. Prior period adjustment

During 2006, it was determined that consulting fee revenue was reported as an amount due to related party in error. Beginning member's capital as of January 1, 2006 has been restated from amounts previously reported by an increase of \$863,500 to correct this error.

7. Subsequent events

During 2008, it was determined that projects to be developed by the following entities would not be completed: Mazant Royal, LLC, Imperial Drive I, LLC, Imperial Drive II, LLC, Guste II-B, LLC, General Ogden, LLC and Fischer IV-3, LLC. Consequently, development of and CAHC's investment in these projects ceased. Predevelopment costs due from these entities, totaling \$411,000, were written off as expenses were written off during 2008.

## SUPPLEMENTAL INFORMATION

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
CONSOLIDATING BALANCE SHEET  
For the year ended December 31, 2006

	ASSETS			
	Crescent Affordable Housing Corporation	Lune d'Or Enterprises, LLC	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 267,891	\$ -	\$ -	\$ 267,891
Restricted cash	527,357	-	-	527,357
Contributions receivable	-	100	(100)	-
Development program fees receivable	299,529	-	-	299,529
Management fees receivable	-	105,900	-	105,900
Due from component units of Authority	956,972	-	-	956,972
Investment in subsidiary	105,536	-	(105,536)	-
Total assets	\$ 2,157,285	\$ 106,000	\$ (105,636)	\$ 2,157,649

see independent auditor's report

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
CONSOLIDATING BALANCE SHEET (CONTINUED)  
For the year ended December 31, 2006

LIABILITIES AND MEMBER'S CAPITAL				
	Crescent Affordable Housing Corporation	Lune d'Or Enterprises, LLC	Eliminations	Total
Accounts payable	\$ 105	\$ -	(100)	\$ 5
Investment obligations	-	464	-	464
Deferred development fee revenue	300,000	-	-	300,000
Due to Authority	309,249	-	-	309,249
Total liabilities	609,354	464	(100)	609,718
Member's capital	1,547,931	105,536	(105,536)	1,547,931
Total liabilities and member's capital	\$ 2,157,285	\$ 106,000	\$ (105,636)	\$ 2,157,649

see independent auditor's report



CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
CONSOLIDATING STATEMENT OF OPERATIONS  
For the year ended December 31, 2006

REVENUES AND EXPENSES

	Crescent Affordable Housing Corporation	Lune d'Or Enterprises, LLC	Eliminations	Total
REVENUE				
Development services	\$ 647,529	\$ -	\$ -	\$ 647,529
Management services	-	52,950	-	52,950
Total revenue	647,529	52,950	-	700,479
OPERATING EXPENSES				
Development program expense	(129,506)	-	-	(129,506)
General and administrative	(884)	-	-	(884)
Total operating expenses	(130,390)	-	-	(130,390)
Operating income	517,139	52,950	-	570,089
OTHER INCOME				
Donations	10,638	-	-	10,638
Interest income	17,163	-	-	17,163
Gain on investment	53,544	594	(53,544)	594
Total other income:	81,345	594	(53,544)	28,395
Net income	\$ 598,484	\$ 53,544	\$ (53,544)	\$ 598,484

see independent auditor's report

CRESCENT AFFORDABLE HOUSING CORPORATION  
(A Component Unit of the Housing Authority of New Orleans)  
CONSOLIDATING STATEMENT OF CHANGES IN MEMBER'S CAPITAL  
For the year ended December 31, 2006

	MEMBER'S CAPITAL			
	Crescent Affordable Housing Corporation	Lune d'Or Enterprises, LLC	Eliminations	Total
BALANCE, JANUARY 1, 2006	\$ 85,947	\$ 51,992	\$ (51,992)	\$ 85,947
Prior period adjustment	863,500	-	-	863,500
BALANCE, JANUARY 1, 2006, AS RESTATED	949,447	51,992	(51,992)	949,447
Net income	598,484	53,544	(53,544)	598,484
BALANCE, DECEMBER 31, 2006	\$ 1,547,931	\$ 105,536	\$ (105,536)	\$ 1,547,931

see independent auditor's report